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# Foreword



The important role of entrepreneurship as a driver of economic growth and diversification has long been recognised at European level. Entrepreneurship is also a key component of the EU's Europe 2020 strategy for smart, sustainable and inclusive growth.

Agriculture and rural development are expected to contribute to the Europe 2020 strategy. The Commission Communication, "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future"<sup>1</sup>, launched a debate on how this can best be achieved and proposed new policy orientations, preparing the ground for the new generation of rural development programmes. The promotion of entrepreneurship among farmers across Europe – whether from small or larger holdings, or from the plains or mountain areas – as well as the promotion of short food supply chains are major policy priorities to unlock the potential of rural entrepreneurship. The creation of new "green" businesses is also at the core of the strategy, which aims to guide the transition to a low-carbon economy.

Furthermore, with an ageing population and strong competitive pressures from globalisation, economic growth and job creation in Europe will increasingly have to come from innovation in terms of products, services and business models. Research and a greater diffusion of agronomic knowledge are cornerstones in this respect

The Common Agricultural Policy (CAP) post-2013 is set to support innovation, knowledge transfer and capacity building, as well as farm, business, social and institutional development that fosters production methods with a link to local resources and considers the specific potential of Member States to boost economic growth and job creation.

This tenth edition of the *EU Rural Review* takes a closer look at how EU agriculture and rural development policy are contributing to promoting rural entrepreneurship. We investigate the progress being made in this area, explore what kind of support can be provided by the Member States' Rural Development Programmes (RDPs) and consider how it bears on the CAP.

After an introduction on rural entrepreneurship that highlights its importance to CAP objectives at EU level, the magazine focuses on three areas, underlining the linkages between rural development policy and rural entrepreneurship:

- Emerging sectors of rural entrepreneurship;
- Social aspects of rural entrepreneurship;
- Drivers of rural entrepreneurship – how to overcome obstacles.

This edition also includes several case studies examining successful projects and practical experiences from the ground. These examples illustrate how different RDP measures play a beneficial role in promoting entrepreneurship using co-finance from the European Agricultural Fund for Rural Development (EAFRD). The suite of EAFRD measures available to boost rural entrepreneurship projects across Europe is significant and these measures have proved to be popular, representing almost 35% of the total EAFRD budgetary allocation for the period 2007-2013.

(1) COM(2010) 672 final, 18.11.2010 - [http://ec.europa.eu/agriculture/cap-post-2013/communication/index\\_en.htm](http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm)



Daring to succeed:  
unlocking the  
potential of rural  
entrepreneurship



**Enterprise and entrepreneurship are the drivers of economic growth in Europe's rural areas. With the ongoing challenges facing traditional rural sectors, the future success of the rural economy is inextricably linked to the capacity of rural entrepreneurs to innovate, and to identify new business opportunities that create jobs and income in rural areas.**

In 2000, Gerry and Mary Kelly took some big decisions about their future. Concerned about the future viability of their dairy enterprise, they decided to convert to organic production, becoming one of just 15 organic dairy farms in Ireland at the time. They also opened their doors to visitors, offering farmhouse bed and breakfast accommodation.

In 2006, with support from the local Leader group, the Kellys took another big decision when they launched Kelly's Organic Products, a range of organic cheeses and yogurts, which are produced and packaged on the farm.

The success of these business ventures has secured a future for the Kellys and their two daughters in the beautiful rural environs of lough Ennell, in county Westmeath. It has also helped to safeguard the main farm enterprise, which remains the centrepiece of their new diversified business.

The Kelly's situation is not unique. With the decline in farm employment and income, increasing numbers of farmers are turning to new on or off-farm activities in order to establish alternative revenue streams. In 2007, 35% of European farmers had another gainful activity other than agriculture. In predominantly rural areas, 82% of all employment came from the non-agricultural sectors, with an average annual increase of around 1.0% between 2000 and 2007<sup>1</sup>.

### A driver of economic growth

The important role of entrepreneurship as a driver of economic growth and diversification has long been recognised at European level. The 2003 Green Paper "Entrepreneurship in Europe"<sup>2</sup> and the subsequent "Action Plan: The European agenda for Entrepreneurship"<sup>3</sup>, adopted in 2004, provide the policy framework for promoting entrepreneurship in the EU. Entrepreneurship is also a key component of the EU's Europe 2020 strategy for

smart, sustainable and inclusive growth, where the creation of new "green" businesses is at the core of the strategy's aim to work towards the transition to a low-carbon economy by 2050.

Making up over 90% of the territory of the EU, and home to more than 56% of the population, rural areas need to make a robust contribution if these strategic objectives are to be achieved. However, entrepreneurs in rural areas are confronted with a unique set of challenges that are not generally encountered in an urban context. These challenges derive mainly from the varying degrees of accessibility of rural areas, the small size and low population densities of rural communities, their social and economic composition, and the nature of internal and external linkages.

The small size of local markets and limited access to essential services, such as finance, information and advice, present further obstacles for rural entrepreneurs. Other issues include a lack of suitable

(1) [http://ec.europa.eu/agriculture/agrista/rurdev2010/RD\\_Report\\_2010.pdf](http://ec.europa.eu/agriculture/agrista/rurdev2010/RD_Report_2010.pdf)

(2) [http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003\\_0027en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003_0027en01.pdf)

(3) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2004:0070:FIN:EN:PDF>

business premises, less developed transport and communications infrastructure, and limited opportunities for networking and collaboration.

The latter often results from the fact that rural economies are usually less diversified than urban ones. Consequently, labour forces tend to suffer from low skill levels, low skill diversity, and from a structural mismatch in the local labour market, caused also by outward migration of the young, professionals, and the well-educated.

Despite these challenges, opportunities do exist in rural areas. As the source of essential primary raw materials, rural areas present diverse opportunities for adding value through innovation in product development and marketing. This potential is perfectly demonstrated by the success of the Kelly family.

Rural areas also have important amenity value and, in addition to being popular tourism and leisure destinations, they also offer an alternative lifestyle that is increasingly attractive to European

citizens. Out-migration from towns and cities is now an established trend in many European regions, which not only creates new markets for products and services, but also brings new skills, experience and a new wave of potential entrepreneurs.

## Unlocking the potential of rural areas

The EU's rural development policy seeks to address these challenges faced by rural areas, and to unlock their entrepreneurial potential. Of the 42 measures included

### RDP Measures related to rural entrepreneurship

Code	Measure	Expenditure to end 2010 (M€)	%	Expenditure to end 2010 (M€)	%
AXIS 1					
111	Vocational training and information actions	1,089	1.1	178	16.3
112	Setting up of young farmers	2,887	3.0	961	33.3
121	Modernisation of agricultural holdings	10,667	11.0	4,006	37.6
123	Adding value to agricultural and forestry products	5,647	5.9	1,185	21.0
124	Cooperation for development of new products, processes and technologies in the agricultural and food sector	349	0.4	22	6.3
142	Setting up of producer groups	328	0.3	62	19.0
AXIS 3					
311	Diversification into non-agricultural activities	1,489	1.5	201	14.5
312	Support for the creation and development of micro-enterprises	2,209	2.3	199	9.0
313	Encouragement of tourism activities	1,291	1.3	158	12.2
321	Basic services for the economy and rural population	3,120	3.2	445	14.3
331	Training and information for economic actors operating in the field covered by axis 3	148	0.2	20	13.5
341	Skills acquisition and animation with a view to preparing and implementing a local development strategy	150	0.2	40	26.7
AXIS 4					
411	Local development strategies: competitiveness	472	0.5	32	6.8
413	Local development strategies: quality of life/ diversification	3,877	4.0	294	7.6

Source: calculations based on [http://ec.europa.eu/agriculture/agrista/rurdev2010/RD\\_Report\\_2010.pdf](http://ec.europa.eu/agriculture/agrista/rurdev2010/RD_Report_2010.pdf)



in the EAFRD, at least 14 are directly or indirectly related to entrepreneurship (see Table).

These measures have proved to be popular, representing almost 35 % of the total EAFRD budgetary allocation for the period 2007-2013. Measure 121 on farm modernisation accounts for the biggest portion of this funding (32%), followed by measure 123 on adding value through processing and marketing (17 %) and measure 413, which concerns supporting diversification and improving quality of life by employing the Leader methodological approach (11.5%).

Funding allocations, however, vary considerably between Member States. In Spain, for example, measure 123 (adding value through processing and marketing) is the second biggest measure in budgetary terms, just after the measure for agri-environment payments (214).

Within axis 3, measure 321 (basic services in rural areas) accounts for about 22 % of the funding, while around 18% has been allocated to measure 312 (support for micro enterprises). However, here again significant national differences exist, with measure 311 (diversification in non-agricultural activities) representing over 40% of the total EAFRD contribution devoted to axis 3 in Italy and in Finland. Measure 312 is also much more significant within axis 3 in Estonia (60%) and Latvia (49%).

A significant 4.0% of the overall budget has been allocated to measure 413 (supporting diversification and improving quality of life by employing the Leader methodological approach), but again important differences exist between programmes. In Northern Ireland, for example, 29% of the total budget is allocated to this measure.

The total EAFRD budget for the period 2007-2013 is €96 billion, and up to the end of 2010 total expenditure came to €31 billion or 32%. Total expenditure on measures related to entrepreneurship came to just over 23%, but these measures tend to have a longer lead-in time and this is expected to pick up during the remainder of the programming period.

## Cooperation between Member States and regions

Cooperation and the exchange of ideas and experience between Member States and regions can help to strengthen the implementation of individual RDP measures. Actions in this respect are supported financially under Leader and by the European Network for Rural Development (ENRD). To facilitate cooperation related to entrepreneurship, the ENRD currently supports the Rural Entrepreneurship Thematic Initiative (see the Rural Insight article).

Working together within this initiative, National Rural Networks have identified a number of joint actions that could help to boost rural entrepreneurship across the EU. These fall into three main areas: exploring opportunities in emerging sectors; the social aspects of entrepreneurship; and overcoming obstacles to entrepreneurship.

Emerging global challenges in areas such as food security, preserving biodiversity and combating climate change also present new opportunities for rural areas, and for rural entrepreneurs. These will be explored in more detail in the following

articles, as will the potential of social entrepreneurship to address gaps in service provision in rural areas and contribute to economic development.

Finally, the important issue of how to overcome obstacles to entrepreneurship will be examined. Different obstacles exist for different target groups and these also vary from one Member State or region to another. The role of the RDPs in overcoming these obstacles is a key consideration, for current and future programming periods, with important implications for rural areas and for the emergence and success of entrepreneurs such as Gerry and Mary Kelly.



High House  
FRUIT FARM  
Farm Shop



Emerging sectors of rural entrepreneurship

**Rural areas across Europe have been faced with serious economic and demographic challenges in recent decades. The decline in the relative importance of agriculture and the need for a more diversified rural economy has led to the emergence of new activities and new areas of rural entrepreneurship. This article highlights some of these new activities and the links between rural development policy, rural communities and rural enterprise.**

Despite the growth of urban centres, the importance of rural areas as places where people live and work should not be underestimated: the majority (over 56%) of EU citizens still live in areas that are defined as predominantly or significantly rural.

These countryside communities have experienced decades of economic and demographic change: depopulation, including the departure of young people and ageing of the population, is an important issue in predominantly rural areas of some Member States; falling numbers of farmers and the decline in industrial production; and, more recently, a trend of urban-to-rural migration and the arrival of new inhabitants in many rural regions. Although rural areas throughout the EU are experiencing these trends, there are significant differences in the speed and extent at which change is occurring.

Nevertheless, it is true to say that the economies of many rural areas are changing rapidly. The service sector is the most important sector in rural areas in terms

of employment and Gross Value Added (GVA), followed by manufacturing and the primary sector. Whilst agriculture and forestry utilise 91% of the EU territory, only 7.7% of EU employment is generated in agriculture and related farm and agro-food activities. Instead, new activities and sectors are evolving within rural areas, such as tourism, business services, personal services, food production, specialised industrial production and other types of micro enterprise.

### Rural business dynamics

When policymakers consider ways of creating an environment conducive to businesses innovation and job creation, the debate is usually couched in terms of advantages and disadvantages for the entrepreneur. However, rural areas face particular challenges that must also be addressed.

In the case of many businesses located in rural areas, implementation of their development strategy is not just about location, but is also a process of interaction

and integration. It is not only about the exploitation of territorial resources, but the integration of the enterprise into regional dynamics and into a network of actors.

The creation of businesses in rural areas should not be thought of simply as the creation of added value or as the result of personal ambition, but as a consequence of territorial dynamics. The importance of economic activities cannot be measured by the number of jobs created alone: it is part of a whole whose complementary aspects can join and contribute to sustainable development.

### New opportunities for the rural economy

Challenges such as food security, preservation of natural resources and ecosystems, climate change mitigation and adaptation, the desire for local food systems and increasing rural-urban interdependency all present new opportunities for rural entrepreneurship. Among others, leisure related activities, personal

and household services, renewable energy businesses and cultural services represent an important source of employment.

The growth of new rural service enterprises is influenced by two factors: rising demand in places close to urban centres following the arrival of new inhabitants (a phenomenon known as "rurbanisation"); and demand from long-established rural residents for existing services. Innovative initiatives are being undertaken in different areas to meet these needs: for example, in the Netherlands, the Kinderopvang 'De Boerderij' Bragersweg dairy farm, located in Geesteren (Overijssel), has diversified its business by creating a child day-care facility. This activity not only provides the farmer with an opportunity for additional income, it also meets the needs of young families, whether they

are existing residents, or people who have recently left the city for a better quality of life.

The tourism, leisure and cultural sectors in rural areas are also growing; urban dwellers are attracted by the wide-open spaces, wildlife, and the tranquillity of certain places in rural areas, which provide opportunities for reflection, recreation, spirituality, and reconnection with nature. Others seek out the music, literature, art, and architecture that form part of the nation's rural cultural heritage. Yet others are hungry for active, or even extreme, experiences associated with hiking, climbing, canoeing, spelunking, hunting, and skiing. Adventure parks, children's parks, equestrian facilities and venues for special events are other examples of business opportunities. All of these provide the basis for an expanded

rural tourism and hospitality sectors, as well as driving the growth of second-home and retirement communities, particularly in high-amenity areas.

The concept of agri-tourism – holidays on farms – has become increasingly popular. One of many examples of a successful agri-tourism business is the agri-ecology centre, Les Amanins, in the Drôme (France), which is both a farm and a conference centre. The centre also has a pedagogical role, since visitors can take part in and learn about modern agricultural practices.

Small-scale, specialised industrial production is another dynamic and emerging sector in rural areas. A good example is eco-construction and the eco-materials sector. This growth is being driven not only by the prevalence of sustainable and



environmentally friendly materials (e.g. wood) in the countryside, but also by the willingness of entrepreneurs to base their activities in rural locations.

Business innovation can also be seen in agriculture and the food processing sector, through the emergence of new modes of production and marketing. "Local food" initiatives and short supply chains are excellent examples of this and are the subject of growing interest from food producers, consumers and public bodies. In France for example, the ministry of agriculture and food has developed an action plan to promote the emergence of production activities combined with short supply chains. Such chains should be seen as complementary to existing 'long chains', and as enabling food producers to increase both their social and economic impact. The goal of

short supply chains is to provide farmers with a fair income and to encourage them to diversify their activities so as to avoid dependence on a single food supply chain.

Short supply chains can provide a means of establishing sustainable businesses and maintaining agricultural activity in rural areas. Their success depends on strong collective organisation at the local level and the management of supply and demand across a territory. When local and regional authorities and businesses are able to work together in this way, the social cohesion, attractiveness and competitiveness of a rural area can be greatly enhanced.

On-farm processing and the direct sale of products is also strongly encouraged because it adds value to

agricultural production. Examples include the production of homemade ice-cream or cheese on dairy farms. The boosting of agricultural productivity and non-farm jobs in rural areas can be achieved through opening up market access to urban territories and economies. The internet, in particular, is often an essential tool when it comes to marketing. As a general rule, the challenges confronted by businesses in rural areas force them to be innovative (by using the internet to access distribution markets, for example). Rural businesses may experience difficulties in accessing markets or technical and financial tools and infrastructure, and are therefore compelled to invent new working methods and new means of commercialisation to be viable.

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## Development policies help foster new rural enterprises

Rural businesses are not operating in a vacuum, however, and there is a strong link between rural development policy and the growth of new activities in rural areas. EU-wide initiatives carried out under the auspices of the Leader local development approach help to promote economic diversification, in particular towards non-agricultural activities in rural areas. These European level initiatives are supported by national, regional and local policies. A common feature of all these policies is a shared vision and a territorial, rather than sectoral, approach to rural development (going beyond agricultural or land-use policies).

Rural development policy also contributes to the objective of social and territorial cohesion within the European Union. Creating the conditions in which innovative rural businesses can thrive will require new ways of governing rural areas and organising local markets, as well as changes in consumer behaviour. NGOs complement development policies by acting as innovators. In France, for example, communities and support structures are seeking ways of removing potential barriers to job creation in rural areas. One such barrier is the high cost of land, which is being overcome by a new form of organisation, *Terre de liens* (<http://www.terredeliens.org>): a non-profit organisation dedicated to “crowd sourcing” funds for the collective acquisition of agricultural land.

## Linking rural businesses to urban areas

Specific programmes on rural entrepreneurship are essential for the development of rural-based businesses. In this respect EU rural development policy is helping to facilitate the emergence and sustainability of new activities in rural areas. Rural entrepreneurs face certain challenges not encountered by urban entrepreneurs, related to low population density and greater distance to markets as well as to information, labour, and most other resources. Therefore, rural

businesses can benefit from developing their relationships with urban areas. For example, providing cities with renewable energy could be a profitable new line of business for rural communities.

## Renewable energy as an opportunity for rural businesses

The energy sector can also be considered as a potential source of employment and economic development, especially when it comes to renewable energy production. Indeed, rural areas throughout Europe possess important resources that can be used for electricity or heat production. Not all renewable energy projects can be implemented in rural areas but opportunities exist in areas such as biomass, wind power, solar power and small hydropower systems. The use of renewable energy sources has been steadily increasing in recent years and available technology can now guarantee the economic viability of most projects, even those operating on a small scale.

Beyond the positive environmental impact, renewable energies are an economic opportunity for rural areas: projects can be a means for territories to promote local development by facilitating the implementation of new business activities, developing qualified employment opportunities, and by attracting new residents. The use of renewable energies can also be a way to provide energy to activities located in remote areas where being connected to the regular network is not feasible. It can also be the opportunity to build linkages and add value to existing products. For example, a project using biomass can use resources provided by the food industry, agriculture or forestry.

Many projects have been carried out at local level, by private actors and by local authorities. For instance, the Dotterel Cottage pig farm, in the United Kingdom (Weaverthorpe, North Yorkshire) has purchased a wind turbine in order to reduce electricity costs: the power generated by the turbine is used directly on the farm and represents around 40% of the total consumption. The system has several positive impacts: it helps the farm to save

money on its electricity bill and lower energy costs have also allowed the farm to diversify its activities (new grain mills were purchased, for example).

## Distribution of agri-food products

Economic activities in rural areas have to deal with the issue of product distribution: not only does this concern distribution within and between rural and remote areas but also distribution between rural and urban areas. Indeed, many rural businesses develop in response to demand in cities. Distribution can take two forms; short or long supply chains, but in both cases this demands a specific dynamic within the territory that can be built by the entrepreneur.

The distribution sector can thus be a real opportunity for entrepreneurs in rural areas. Indeed, production and transformation units are often separated and

the development of a distribution activity can help local actors to improve the supply structure. This can have a positive impact for producers, providing better access to markets and thereby increasing demand, but it can also be interesting for the territory as it supports economic activity and can encourage the development of new activities.

For example, "Auvergne Bio distribution", located in France, has organised a collective catering service, which brings together several food producers. This project was a success, both for local authorities (responsible the catering) and for the producers, who were able to increase their production. It also helped the structuring of the organic food sector in the Region: recognising its success, several other producers joined the initiative.

Challenges confronted by rural areas across Europe have led economic actors to diversify their activities or to invest in

new ones. These new business activities are not only related to the agricultural sector but also to industry and to services. Facing difficulties such as remoteness has forced businesses to use innovative tools, such as the internet, or to develop new forms of organisation (short supply chains, for example). Public authorities have also participated in the expansion of these new activities, which provide an opportunity to boost the attractiveness of the areas concerned. Once established in their areas, these businesses have to develop or reinforce their relations with urban areas, where bigger employment and consumer markets can be found.





# Social aspects of rural entrepreneurship in Italy

**The social dimension of agriculture can be defined as its capacity to produce inclusive processes and social cohesion using local resources, and to respond to the specific needs of a particular target group. Social farming can improve the viability of rural areas by providing new opportunities for diversification.**

**A**fter the Second World War, Italy was still a largely rural country and most people were employed in agriculture. At that time, the social role of agriculture was clearly limited to subsistence. The modernisation of agriculture, through mechanisation and the widespread use of fertilisers and plant protection products, increased productivity beyond the level of subsistence. It also changed the social image of the sector. Marginal areas were abandoned and migration to towns and cities led to the depopulation of rural

areas, resulting in a deeply modified relationship between people and the countryside. Many started to look upon rural areas as uninteresting wildernesses and became ignorant of agricultural processes. As a consequence, agriculture's contribution to added value and employment was reduced significantly and its social role diminished.

In the 1970s, contradictions inherent in the intensive farming approach – e.g. pollution, soil erosion, poor animal welfare

– focused attention on the secondary effects of agricultural processes, and an increasing number of people began to take an interest in the “multi-functionality” of agriculture. Secondary functions also included social dimensions, as well as environmental issues. The social dimension of agriculture can be defined as its capacity to produce inclusive processes and social cohesion using local resources, and to respond to the specific needs of particular groups: namely people with physical or/and mental disabilities, children, the



elderly, people with problems of social exclusion (i.e. (former) drug-addicts or prisoners, socially excluded women or young people, etc.). In other words, social agriculture is an innovative way of reviving the potential of traditional farming to include everyone, regardless of age, gender or ability.

Social agriculture may include some or all of the following components:

- **Work and training opportunities** – where agriculture creates employment and income opportunities for the disadvantaged;
- **Recreation and quality of life** – mainly “not for profit” activities that are often managed at municipality level, whereby small allotments are given to the elderly with the aim of creating the opportunity both to have fun and to socialise with neighbours;
- **Education** – creating actions to improve knowledge of agricultural practices and rural culture and to develop environmental awareness among young people (e.g. city farms, school gardens managed by pupils, etc.);

- **Services to populations in rural areas** – kindergartens; summer reception centres for children; homes for the elderly. This is very important for local development, since a lack of services, together with limited job opportunities, is one of the most important reasons for depopulation in rural areas;
- **Rehabilitation and therapy** – agriculture can be a tool to improve the welfare of individuals with mental or other health problems. Therapeutic agricultural activities can either be carried out on farms themselves, or in a medical environment with the input and expertise of farmers. In any event, these activities are planned by health experts (psychologists, psychiatrists, etc.) and – when they aren’t directly managed by health staff – they are under health authorities’ control.

Such services provide an important contribution to Italian society as a whole. Social farming activities are now being promoted both by the association, Rete delle Fattorie Sociali (“Social Farming Network”), and by a ‘Community of

Practices’, promoted by the regions of Tuscany and Lazio.

## The Italian experience of social farming

In Italy, services designed for the inclusion of the mentally disadvantaged were first developed in the early 1970s. At this time, social farming was mainly based on the ideas of the 1968 movements and other community-based initiatives (social cooperatives) of that period (e.g. The School of Barbiana in Tuscany or the Community of Capodarco in Rome).

Following a legislative change in 1991, cooperatives in Italy can now be either “type A” cooperatives, supplying educational, social and medical services, “type B” cooperatives, dedicated to improving the job prospects of the disadvantaged, or a mix of the two. Today, some 30% of “type B” or mixed cooperatives are active in the agricultural sector.

There is also increasing interest in social farming initiatives from the private sector



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(commercial farms), working in collaboration with public bodies, mostly at the local level (e.g. in health, educational or legal institutions).

Even though there is no official data on social farming in Italy, more than 1000 farms are estimated to be involved in these kinds of activities, including around 250 in Tuscany.

Much has been achieved in the field of training, work placements, employment, therapeutic horticulture and other therapies involving plants and/or animal care, education and child care. Some initiatives target a specific group, whilst others have a multi-target approach (with different services for different needs). In Italy, the employment-oriented initiatives are directed at people with varying problems and disabilities: moderate physical disabilities, mental health and learning difficulties, or those experiencing social exclusion.

These types of social farming experiences can involve a variety of different

agricultural activities: from vegetable, vine or olive growing to animal care, the making and/or selling of dairy products on farms, or even working in a farm restaurant. In this way, people have the opportunity to increase their capabilities and skills, to improve their social life and to reduce time spent under medical care in hospital or elsewhere. These experiences are particularly important in peri-urban areas, where social and health care services are often insufficient.

Perhaps the most important lesson from the Italian social farming experience is the importance of producing and selling something tangible, both to the disadvantaged, who gain from the experience, and to the farmer, who is able to achieve a sustainable income.

### The effects of social farming

Social farming can be considered as a diversification activity, which improves a farm's income and contributes to social

well-being, while also boosting the image of agriculture in society. At the same time, since social farming deals with personal wellbeing and care, it requires strict adherence to the appropriate standards and procedures in order to protect users' welfare and interest.

At present, quantitative studies on the benefits of these practices for participants and the impact on rural areas are not available. However, the Italian Ministry of Agriculture is currently funding a project<sup>1</sup> – coordinated by the National Institute of Agricultural Economics (INEA), together with Istituto Superiore di Sanità, which is the leading technical and scientific body of the Italian National Health Service – to evaluate the efficiency of the country's existing 'green therapies'. This project sets out to:

- Evaluate the opportunities for rural development arising from social agriculture, in terms of innovative socio-therapeutic services, social cohesion, and sustainable economic development;

(1) [http://www.inea.it/public/it/progetti\\_attivita.php?action=3&id=1422](http://www.inea.it/public/it/progetti_attivita.php?action=3&id=1422)



- Contribute to a better definition of the policies and instruments needed to support the spread of social farming practices;
- Define a tool to assess improvements in personal welfare related to participation in social farming activities.

The project will analyse both the characteristics of farms supplying social services, with the aim of developing new multifunctional agricultural practices, and the effects of therapeutic interventions. In this way the project aims to contribute to identifying new therapeutic strategies in the field of mental health and to expand opportunities for health policy.

Initial results of the project show that social farming can improve the quality of life of participants and their families by giving them greater autonomy, a greater number of options, and improved prospects for the future. Social agriculture also has economic benefits: reducing public expenditure on drug consumption and

hospital admissions; providing new job opportunities in rural areas; improving the public image of farms and farming; and building networks of actors that increase the competitiveness of rural areas.

### A positive influence in rural areas

Social farming has widened the concept of the role of agriculture in the development of rural areas. Since the lack of social services is one of the reasons for the depopulation of rural areas, social farming can improve the attractiveness of these areas. It can provide new opportunities for diversification, which can increase farm income, while also providing important services for previously disadvantaged or excluded social groups. For further reading about the positive effects of social farming in terms of social inclusion and business benefits, see the article on the SOFAR project: social services on multifunctional farms, in EU Rural Review No 6 (pp. 63-65).





# Drivers of rural entrepreneurship – how to overcome obstacles

**Starting and growing a business is challenging in any location or in any context. There are many obstacles to the creation and development of a business that hinder even the most dedicated and hardworking entrepreneurs. In order to promote entrepreneurship and encourage new business ventures we need to know more about these obstacles and how to overcome them.**

It is widely acknowledged that the successful promotion and strengthening of entrepreneurship is not solely reliant on the presence of entrepreneurial individuals in an area or community. It is also dependent on the much broader socio-economic context in which business ventures take place.

Commentators sometimes refer to this wider context as the “entrepreneurial environment” – namely, the inter-connected set of factors that encourage

innovation, promote risk-taking and foster the emergence and growth of new enterprises. This includes, for example, various sources of information, different resource providers, markets, technologies and numerous intermediaries that facilitate the processes associated with business start-up and development. These different factors also commonly interact with one another. Therefore, improving the conditions for entrepreneurship is not just confined to ensuring that all the necessary factors are in place, but

also that these factors are combined in an appropriate way.

An understanding of the challenges and obstacles associated with these different aspects of the “entrepreneurial environment” is especially important in rural areas, where the entrepreneurial spirit of individuals – whether ‘existing’ or ‘potential’ rural entrepreneurs – is challenged by the unique combination of the economic conditions of rural regions and the specific characteristics of rural entrepreneurs.

The most common obstacles to rural entrepreneurship in EU Member States can be grouped into three main categories: those associated with the small size, low population densities and remoteness of rural communities; the social and economic composition of rural communities; and the nature of internal and external linkages. More specifically, rural entrepreneurs face problems associated with:

- the longterm decline in agricultural incomes, plus the additional impact of the economic downturn in recent years;
- local (including family) patterns and cultures, which may not be supportive of entrepreneurship;
- excessive amounts of bureaucracy involved in business start-up and development;
- greater distances to markets and areas of production, plus limited connections to urban and global markets;
- small size and low population densities of rural communities and, as a consequence, limited local demand, which makes it difficult for rural business to achieve efficient economies of scale;
- difficulties in obtaining sufficient risk capital;
- a general lack of economic diversity;
- a lack of other entrepreneurs and networks;
- the absence of industry 'clusters' in most rural areas;
- difficulty in obtaining skilled labour.

A research project called *Developing the Entrepreneurial Skills of Farmers* (ESoF) was completed in 2008 under the EU's 6<sup>th</sup> Framework Programme<sup>1</sup>. A detailed review of the project is presented in the Rural Research section of this publication and its findings are also relevant here, when considering obstacles to rural entrepreneurship.

In summary, the project set-out to examine the economic, social and cultural factors hindering or stimulating the development of entrepreneurial skills of farmers, with a view to recommending improvements in performance.

The ESoF project made an important distinction between:

1. the **'external' entrepreneurial environment** – the social and business environment in which farmers operate, including the impact of changes in terms of the globalisation of markets, EU and national policies, consumer demand, supply chains, environment, climate and energy; and
2. the **'internal' entrepreneurial environment** – namely, the capability, skills and competences of the farmer. These were further categorised into two main groups:
  - The business skills needed to keep a farm running successfully – sectoral expertise and managerial competency; and
  - The skills needed to innovate and cope with change – opportunity skills, strategic skills and networking skills.

According to Professor Gerard McElwee of Nottingham Trent University in the UK, and a key researcher in the ESoF project, "developing both the external and internal entrepreneurial environment is an essential step towards creating a diverse range of entrepreneurial businesses in rural areas".

This point was also picked up in a survey of the National Rural Networks (NRNs) in May 2010<sup>2</sup>. The survey results, plus a review of other work, highlighted the following as the main areas of focus for supporting rural entrepreneurship:

1. Developing the 'internal' environment of rural entrepreneurship and providing existing and potential entrepreneurs with the skills and confidence required to take forward their ideas. This includes:
  - Greater access to information, including more newsletters, leaflets, web pages, consultancy and information services – provided that they deliver information in a timely way! A clear demand was also expressed for the publication of best practices/ relevant experiences;

- Greater guidance to existing support systems, as well as more information on relevant laws and policies. This was considered essential for both new and existing entrepreneurs;
- Training courses in business management, to ensure the creativity and innovation found in rural areas is matched with the skills to successfully implement new entrepreneurial ideas. This includes training on the preparation of business plans, as it is anticipated that with better business plans it will be easier for rural entrepreneurs to get access to capital;
- Training courses in various aspects of innovation, change management, risk and creativity to develop the entrepreneurial capacity of individuals, particularly young people. However, it is important to organise training according to the specific needs identified at local level, since these can



(1) See: <http://www.esofarmers.org>

(2) See: [http://enrd.ec.europa.eu/app\\_templates/filedownload.cfm?id=A502C17B-B074-2913-E9E0-F1AC79AE55C0](http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=A502C17B-B074-2913-E9E0-F1AC79AE55C0)

vary significantly between regions and micro-regions;

- Creating networks of entrepreneurs to provide mutual mentoring support and share best practice;
- Providing on-going technical support to entrepreneurs, specifically tailored to managing the growth and expansion of their businesses.

2. Developing the external environment of rural entrepreneurship is somewhat more complex, with many complex issues that are often difficult or impossible to address at local level. The key needs were highlighted as:

- Better, more locally-led access to finance;
- A shift in the focus of funders from being risk averse and administratively burdensome, to effective risk management and outcome oriented;
- Harnessing local knowledge at all stages of policy formulation, delivery and evaluation;

- Tailoring the speed of funding approval and payment to the speed of business development;
- Ensuring the broader community is understanding and supportive of entrepreneurial activity, including the risk of failure;
- Developing better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met.

## Surveying EU Member States

The 2010 survey of NRNs also collected from four different Member States – Sweden, Netherlands, Estonia and Hungary – a number of existing examples of support tools for rural entrepreneurs, including those which are both EAFRD and non-EAFRD supported. Examples of some of the more innovative approaches to developing and supporting the ‘internal’ entrepreneurial environment

include the Dutch Leader system, which has supported the development of a ‘Regional Institute of Entrepreneurs’, to provides technical advice in a range of areas for new and existing businesses. Also from the Netherlands is the project Hoogeland MKB, which has focused on delivering support to entrepreneurs at different levels, including networking, developing closer relations with the local municipalities, and tangible support to developing entrepreneurs focused on setting-up small scale businesses in rural village settings.

Sweden has a national programme designed to encourage entrepreneurship among young people. With support from regional Youth Business Advisors, young people are encouraged to develop a business idea, write a business plan, start, and run and close a business within the timeframe of a school year. This enables them to understand and learn the skills required to run a business without taking



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on the financial risk. The Swedish federation of voluntary associations for adult education also organises a series of study circles and training courses for local village development groups and their rural communities in order to encourage entrepreneurship.

In several Member States, tools for supporting and developing the broader 'external' entrepreneurial environment include a focus on better and more locally-led access to finance. Sweden has a regional business funding organisation called Almi, which complements the traditional banking sector by providing funding specifically for small businesses and new start-ups. Similarly, the Estonian rural development foundation provides loans and guarantees for enterprises in rural areas, and Hungary has developed the new Hungary Micro-credit Programme, which provides access to loans for machinery, equipment, new services and tangible assets.

Another Hungarian project provides funding for investment in equipment and premises required to support traditional processing methods. Local Action Group (LAG) funding has also been targeted at a range of existing businesses and business start-ups, including grocery stores, fruit orchards, and the production of herbs and medicinal plants.

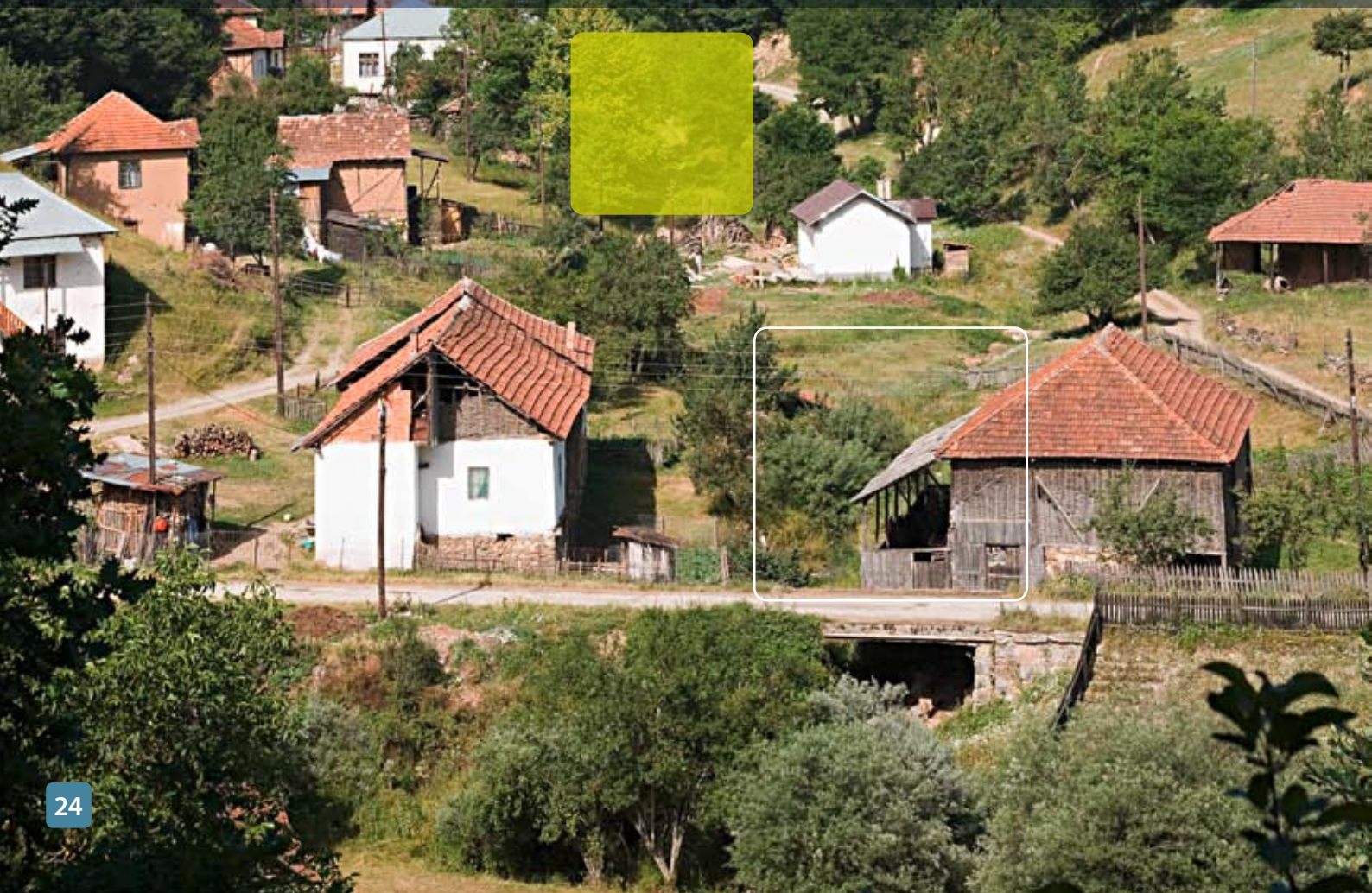
In Sweden, a LAG-supported "youth cheques" scheme provides quick and easy access to seed-funding for young entrepreneurs to test out their entrepreneurial ideas.

An 'Integrated Settlement' project co-financed by the European Regional Development Fund (ERDF) in the North Great Plain region of Hungary is supporting the development of local infrastructure, tourism products and attractions, community transport services, primary and secondary education and primary health care. Although

only those settlements with more than 5 000 residents are eligible for ERDF investment support, entrepreneurs in the adjoining rural areas also benefit greatly from the improvements in urban infrastructure and socio-economic conditions. In parallel, there is also EAFRD support for investments in more rural settlements of less than 5 000 residents.



# Rural entrepreneurship and EU pre-accession policies







**It's no coincidence that thriving rural areas have strong levels of entrepreneurship. This is equally true of EU Member States and the so-called pre-accession countries aiming to join the EU. High employment rates and vibrant communities spring to a large extent from the activity of entrepreneurs.**

**A**s in the EU, a high proportion of the population in pre-accession countries live in rural areas. But rural areas in these countries of the Western Balkans and Turkey are faced with additional challenges: farm sizes are low, and business technologies are often out-dated, which makes it difficult to adapt to increasing EU market exposure. Coupled with inadequate infrastructure and social services, this is contributing to an exodus from farming and from rural to urban areas.

To help overcome these challenges (and to help rural people to exploit opportunities for business growth), the EU continues to support the priority development of entrepreneurship in rural areas in pre-accession countries. The broad range of initiatives supported reflects the fertile

imaginings of entrepreneurs in this region. Success stories are numerous, as illustrated in the two examples from the former Yugoslav Republic of Macedonia and Serbia.

### IPA – EU development support in one instrument

Since 2007, candidate countries and potential candidates have received targeted EU funding and support for all EU alignment requirements through a single channel – the Instrument for Pre-Accession Assistance (IPA). Prior to this, other development policy instruments applied, including PHARE (institution building, economic and social cohesion, cross-border cooperation), ISPA (large-scale environmental and transport

infrastructure), SAPARD (agriculture and rural development), CARDS (supporting the stabilisation and association process in the Western Balkans), and similar but separate instruments for Turkey.

With a funding envelope of €11.5 billion for 2007-2013, IPA supports all alignment processes through five components: transition assistance and institution building; cross-border cooperation; regional development; human resources development; and rural development.

Emphasising the importance of entrepreneurship, each of the IPA's five components can support the emergence and development of entrepreneurs in rural areas. And of course, the rural development component (IPARD) includes a particular focus on rural business and employment.



## Niche cheese production in the former Yugoslav Republic of Macedonia (FYRM)

Small food producers can often compete with larger ones by specialising in niche products and markets, and by keeping a tight control on costs. For a small cheese-producing dairy, located about two hours' drive east of the FYRM capital Skopje, near the borders with Greece and Bulgaria, this approach has proved to be a winning formula.

Eko Mleko (literally 'organic milk') was founded in 2004 by Mr Zivko Lazarev. Processing 1 500 litres of milk daily, the company produces around 136 000 kg of cheese annually – soft white cow's cheese, hard cow's cheese, sheep's cheese, goat's cheese, mixed cheese and a local speciality called urda.

The company applied under the first call for proposals for IPARD funds in 2009 – measure 302, diversification and development of rural economic activities, from the sub-measure for support to micro enterprises. The aim was to invest in upgrading the production facilities to EU standards. Eko Mleko invested a total of €54 000 (37.5% EU funded) in new chambers for the storing and maturation of cheese, the installation of ventilation and air-conditioning equipment in the production area, and in new partition walls.

A 60% increase in production is planned in the medium term, and more jobs will be added to the current six. Eko Mleko supplies mostly local stores, servicing a loyal customer base with its branded Konce cheese. <http://www.ekomleko.mk/>



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## Regional and cross-border branding in Serbia

The Banat region straddles the Serbian-Romanian-Hungarian border and is a good example of the deep cultural and historical relationships that go beyond national boundaries. Aware of the potential for cooperation and branding of products and services, cross-border representatives of this ancient region developed a joint project, with the Serbian partners receiving funding through the EU CARDS programme.

Initiated in 2007, the idea has been to promote quality food in the Banat region, along with its special identity, multicultural features, tastes and heritage. This is largely achieved by training farmers, working through two associations, to achieve EU and industry food standards.

Demonstration plots have been established to encourage farmers to diversify production into vegetables and fruit such as strawberries, tomatoes, plums, quinces and apricots, as well as to improve the quality of traditional Banat crops such as wheat, corn, sunflower and sugar beet. Plant protection specialists and university experts provide technical support.

Equipment, such as washing, mashing and storage tanks, has been purchased with the €250 000 investment (80% EU-funded), enabling farmers to prepare raw foods for the market. The wider cultural and heritage promotion helps to enrich and strengthen the brand.

Over 150 farmers and 40 food producers have already been trained in food safety standards and measures for good agricultural practice. This training, combined with a willingness



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to innovate, has seen more than 20 farmers diversify by planting new fruit orchards. Several small businesses have also developed around fruit and vegetable processing, and the website [www.banatfood.com](http://www.banatfood.com) is receiving a growing number of hits.



Serbian project manager, Mr Slavko Golić says: "the project has shown that better quality production leads to economic growth and new job opportunities, which improves quality of life, helps to build stronger local communities and contributes to sustainable development."

# Sharing knowledge and experience between RDPs





**Promoting and strengthening entrepreneurship is one of the most important means of addressing the economic problems of rural communities. Rural entrepreneurship continues to attract attention as a development tool in rural areas, and entrepreneurship is especially relevant for helping rural areas to tackle the dramatic economic downturn that is affecting many parts of Europe.**

In March 2010, a number of National Rural Networks (NRNs) came together to establish the Rural Entrepreneurship Thematic Initiative (TI). This initiative brings together those NRNs (currently around 16) who want to share knowledge and relevant experiences on how current and future RDPs can better address the challenge of encouraging rural enterprise and rural entrepreneurship.

One of the first actions of the TI was the preparation of a Context Analysis, which assesses the characteristics and the

needs of rural entrepreneurs, and the tools and supports currently available to address these needs. This was followed by workshops in Belgium and Germany which led to the clustering of the potential issues for NRN cooperation under four main headings:

1. Tools to Support Rural Entrepreneurship;
2. Emerging Sectors for the Rural Economy;
3. Overcoming Obstacles to Entrepreneurship;
4. Social Aspects of Entrepreneurship.

Discussion on these topics is ongoing with a view to identifying concrete action to be undertaken jointly by the NRNs. A Rural Entrepreneurship Gateway has also been established on the ENRD website in order to provide public access to relevant information and resources.

For more information check the ENRD Rural Entrepreneurship Gateway at <http://enrd.ec.europa.eu/rural-entrepreneurship-gateway/>

## Rural entrepreneurship in Poland

At the end of 2010, the mid-term evaluation of the implementation of the Polish rural development programme (RDP) 2007-2013 was carried out. The assessment was mostly positive. Concerning implementation of measure 311 (Diversification into non-agricultural activities), the analysis showed particularly positive results with respect to job creation. Interest in different types of economic activities, undertaken in the framework of measures to support job creation in rural areas, was consistent with previous specific regions. Under measure 312 (Business creation and development) the RDP evaluation showed a significant share of projects related to tourism activities in provinces that are traditionally holiday destinations,

mainly due to their natural conditions (e.g. Pomorskie and Warmińsko-Mazurskie). The level of spending was influenced by various factors, especially previous experience in implementing programmes. The low level of support through the Leader approach was due to the ongoing selection of LAGs and the ongoing preparation of local development strategies up to the end of 2009. Only after this was it possible to publish the calls for tenders and invite the submission of applications for the Leader measure 413 (Implementing local development strategies: quality of life / diversification) and to proceed to the selection of final beneficiaries and project implementation.

### EAFRD financial execution, Poland (May 2011)

Measure	Financial plan 2007-2013		EAFRD financial execution
	€	%	% of target
311. Diversification into non-agricultural activities	259 185 000	1,9	20,38
312. Support for business creation and development	767 687 700	5,7	4,05
413. Implementing local development strategies. Quality of life	496 400 000	3,7	1,90
RDP total amount	13 398 928 156	100	33,14

Source: [www.minrol.gov.pl](http://www.minrol.gov.pl)

### Making ice cream as a way to diversify into non-agricultural activities

The beneficiary is a farmer with a holding of 30 ha. The project involves the production of ice cream, based on the production technology and the recipe of a Dutch company, operating on a European scale, which patented the brand, "Ice Cream of Agricultural Homesteads".

In 2007, the beneficiary's floor space of 58 m<sup>2</sup> complied with hygiene and veterinary requirements. Thanks to the grant assistance received, machinery and equipment for the production of ice cream and ice cream shop fittings, including a hand mixer, ice cream machine, refrigerator and freezers were

purchased. This enabled a complete production line to be set up, which now produces nine litres of ice cream per hour: 700 litres per month. Some of the raw materials for the ice cream, such as milk, fruit and vegetables (strawberries, apples, cherries, cherry tomatoes, and cucumbers), come from the beneficiary's own farm. Ice cream is produced in 16 different flavours, including cherry-cherry, apple-raspberry, cucumber and tomato. The beneficiary has obtained the right to use the name and logo "Ice Cream of Agricultural Homesteads", as well as the right to sell exclusive products in the county of Toruń. The ice cream is sold both to restaurants and individual customers.

# An engineer turned farmer in Cyprus

**Kyriakos Pantziaros abandoned his career as an engineer in 1995 to shift to livestock farming and quality milk production. Thanks to EAFRD funding, he was able to set up his own rural business and create additional jobs.**

**M**r Pantziaros comes from a rural family in the village of Athienou, close to Nicosia in Cyprus. He has been involved in his father's livestock farm since he was six years old. Having left Cyprus to study engineering, he then moved on to study for an MBA in finance, before eventually transferring all his knowledge back to the family business.

After completing his studies in 1992, he returned to Cyprus to work as an engineer – the career he had chosen for himself.

However, the long family tradition in livestock breeding, together with an inherent sense of duty to keep “alive” a strong and viable business, led him to change his engineering career and shift to livestock farming in 1995. Since then, his agri-business has grown in both size and quality and, thanks to his entrepreneurial spirit, is constantly kept up to date with market developments and new technologies. According to Mr Pantziaros, “you can take your knowledge anywhere”, and he has chosen to take his back into the business that inspired his entrepreneurial ambitions.

Currently, the farm carries 200 cows for milk production purposes, and cultivates 1200 hectares of fodder for the animals. He also needs to purchase a similar amount of fodder in order to meet the needs of the farm. Mr Pantziaros obtained a grant from the rural development programme (RDP) of Cyprus in order to purchase a new tractor and a new modern baler, a machine that is used to compress cut hay into compact bales that are easy to handle, transport and store.

## The impact of rural development support on entrepreneurship

This is not the first time that Mr Pantziaros has introduced farm improvements. The driving force behind each improvement has been his desire to reduce costs and improve productivity and competitiveness. When he entered the business in 1995, he increased the milk quota of the farm from 400 tonnes to 1500 tonnes. He bought additional milk quotas, which allowed him to raise the maximum quantity of milk he could market in a year, free of levy, with a view to expanding the business. He accompanied the purchase of milk quotas with other investments, which he financed both with EU funding and own funds. This demonstrates a strong leverage effect whereby EU funding has also generated additional spending.

Mr Pantziaros obtained EU funding for the first time under the 2004-2006 RDP, for purchasing a machine for cutting and mixing grass. At the same time, he also carried out building improvements,

including to food storage facilities, with his own funds. Recently, he obtained further EU funding from the 2007-2013 RDP to further modernise the farm's machinery. His main motivation has been "to constantly improve productivity and cost effectiveness, to allow the farm to grow while being competitive".

The main difference in the livestock farm has been the capacity to introduce the most up-to-date technology and equipment that has enabled production to grow more efficiently, i.e. with lower costs and better quality.

Modern technology is central to all phases of milk production, from artificial insemination to milking processes which are nowadays computerised, to the continuous monitoring of the cows' health by the vet. The feeding process, from the cultivation of foodstuff to collection, processing, storage and consumption is also assisted by modern equipment, some of which has been obtained thanks to rural development support. As a result of all of this, "higher quality milk and milk products from the farm are delivered to

the market and the growth prospects of the farm are promising".

The growth of the business has also created employment in the local area, with some permanent and some seasonal posts. "This type of business requires intensive human resource inputs at certain times of the day, not just seasonal intensity". Permanent workers have the flexibility to allocate their working hours according to the needs of the farm. For example, milking takes place very early in the morning and early afternoon. As a consequence, feeling part of the business is encouraged amongst workers so that they can feel a greater sense of ownership.

## Key success factors for a rural entrepreneur

"A successful rural entrepreneur always needs to be alert to opportunities that can help their business improve and to be personally committed to maximising these opportunities". Mr Pantziaros has put his personal commitment and funds into a business he believes in. Rural





development support has contributed to an already strong motivation to excel in the field of livestock breeding and deliver high quality products to an increasingly competitive market.

Mr Pantziaros is a member of the union of cattle breeders of Athienou and of the pan-Cypriot organisation of cattle breeders. "Practically all members of these organisations have received EU rural development support at some stage", he explains, in order to stress the "importance of networking and synergies achieved through producer networks in the area". There are around 20 cattle breeding farms with an average of 150 cows each in the village of Athienou. A key success factor for himself and other livestock farmers in the area has been the capacity to organise themselves into groups. As a result, information flows faster and more efficiently, they all learn from each other

about opportunities, as well as sharing experiences. "These local networks act as publicity and information channels that enable farmers to be at the forefront of developments in relation to rural development funding opportunities, as well as being informed about other issues or problems facing the sector".

Farm planning and management to ensure an optimal allocation of activities is paramount to a successful entrepreneur. As a cattle breeder he allocates 30-35% of activities to genetic aspects (ensuring high quality sperm and the preservation of local breeds) and 65-70% to farm management. The latter includes monitoring the welfare of the animals, including feeding, and health and hygiene conditions.

## Lessons learned

"You need to have a genuine interest in what you do and you must love your job," advises Mr Pantziaros. If you care for your business, it is easier to adapt to changing market conditions. "Continuous planning and thorough management of the farm are critical for adapting production to the needs and trends of the market". The cattle breeding enterprise run by Mr Pantziaros has reached exceptional levels of quality: milk production contains 85% less microbes and the animals have 50% less disease-related cells than standards allow.



© KYRIAKOS PANTZIAROS

**“ A successful rural entrepreneur needs to always be alert to opportunities that can help their business improve and be personally committed to maximising these opportunities ”**

Kyriakos Pantziaros





# Empowering local communities in Lithuania

## A Lithuanian expert in rural development, Guoda Burokienė, reflects on her experience and her direct involvement in Leader-funded projects to enrich the lives of rural communities

**B**rought up in the 1970s and '80s in a small town in Lithuania, Ms Guoda Burokienė was aware of the challenges facing rural communities. However, it was only following graduation in 1995 – when she started to work with rural women – that she began to see the potential for development programmes to enrich the lives of rural communities. She believes that some rural development initiatives can be less bureaucratic than typical government or EU schemes: “At their best, they can

address the needs of rural people and rural communities and have the power to connect with people.”

Describing the economic and social impact of rural development work in Lithuania, Ms Burokienė says: “These programmes helped to develop community centres, and, in turn, these established social and cultural centres. This is important for rural people because, before the development programmes were introduced only big towns and cities had these types

of centres. Now a lot of young people are thinking of staying in their native villages and towns. Also, community businesses are gradually starting to emerge and we already have community cooperatives.”

### Most successful programme

In Ms Burokienė’s opinion, Leader is, unequivocally, the most successful rural development initiative in existence. The key to its success, she maintains, is its

simplicity. "It was the first programme of its kind in Lithuania. It enabled communities to articulate their vision and their needs, and to devise and implement their own development strategies."

Interestingly, while the Leader axis of the rural development programme (RDP) forms an important part of the EU's financial contribution to rural development in Lithuania, it is not just this financial envelope that is valued by Ms Burokienė: "What was really important was that the other EU countries shared their experience with us." This allowed Lithuanians to see how rural development could be successful in empowering local communities. "I was really impressed with Ireland's rural model, and among the newer Member States, Slovenia's development of tourist routes has been excellent," she says.

Simplicity may have been the key to success, but success did not come easily. When rural development policy and programming was first introduced in Lithuania there were huge challenges.

"Everything was difficult because everything was new. We had to learn how to work with national paying agencies, ministries, and various business partners; but the hardest part was to keep people engaged in the process, because everything was, and continues to be, very reliant on voluntary effort."

Still full of ambition for continued growth in rural development in Lithuania, Ms Burokienė's vision for the next 10 years is to see strong and viable rural communities with fully developed rural infrastructure. "I want to see towns and villages with lots of places to work so that young people can see their future in those communities." Extending that vision to a wider scale, she believes that "the role of rural development in Europe is to reduce the gap – in terms of opportunities – between cities and rural towns and villages."

In order to make this a reality, Ms Burokienė wants to see more attention paid to rural development through an expansion of EU rural development support.

## Making it work on the western periphery

Ms Burokienė has travelled extensively to see and study rural development in action. One of the projects she admires most is in Kiltimagh, a town in the west of Ireland. Since its inception in 1988, the local rural development company, IRD Kiltimagh Ltd., has worked to develop the area in a way which benefits the whole community. It is involved in projects which include: the development of industrial units and office spaces, with enterprise incubation and mentoring services; tourism projects, including sculpture and walking trails; children's play areas; an artists' retreat and 200-seat theatre; the renovation of buildings and sites in the town and local area; the provision of additional, low-cost housing; and local training projects.

**" I want to see towns and villages with lots of places to work so that young people can see their future in those communities. "**

Guoda Burokienė



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Territorial aspects  
of enterprise  
development in  
remote rural areas:  
the TERA project



## Research teams in Finland, Greece, Italy, Latvia and the UK used modern analytical tools to assess the impact of territorial factors on rural enterprise. The findings have formed the basis of a set of policy recommendations.

The role of territorial factors in the development of enterprises in remote rural areas has thus far been under-researched due to modelling difficulties. However, the emergence of models that deal with imperfect competition have made it feasible to analyse these impacts.

Analytical approaches, such as the New Economic Geography (NEG) and the Computable General Equilibrium (CGE), also allow researchers to assess the extent to which current and recent EU development policies, and national and regional development programmes and projects, take account of these factors, and how they work alongside parallel support policies such as the direct payments under the Common Agricultural Policy (CAP) and national social welfare support systems. NEG and CGE each provide specific insights that cannot be gained by the other.

The TERA project research team used these tools to obtain a comprehensive picture of the problem and formulate suitable policy recommendations.

A policy review was carried out for EU policies and the relevant policies at national and local level within the TERA partner countries. The team was especially interested in the extent to which policies and programmes take account of the territorial economic factors that influence the launch and ultimate success of companies in peripheral rural areas. It was, therefore, important to consider all EU policies and programmes that have an impact on rural areas.

The TERA study helped to identify the types of rural zones that are in need of targeted development measures. It also identified territorial factors that have, hitherto, not been adequately taken into account when planning, deciding and implementing national and EU development policies. Territorial funds such as the Structural Funds, which target urban as well as rural areas, are a good example. Researchers showed that these two different areas “react in a substantially different way to external stimuli”.

The TERA research also highlighted the importance of developing infrastructure

as a means of stimulating growth in rural areas. The researchers concluded, however, that Structural Funds are primarily directed towards the public sector and the provision of infrastructure that enhances the general business environment. Moreover, the research team discovered that in several cases, development programmes have not sufficiently taken account of territorial factors and that there has been insufficient use of the available funds.

In summary, the researchers found that lowering relative prices and reducing agricultural support doesn't have as great an impact on rural development as expected. They also found that population growth and wider integration are not always positive. Migration into remote rural areas contributes to development only if the area is of similar size to adjacent urban areas. Other key findings concerned the relationships between areas. Greater exchange promotes growth only if a rural area has the potential to become more competitive.

Further integration, however, differs markedly across sectors and, therefore, in order to “maximise return on public spending it would be desirable to promote sector-specific integration policies”, the researchers concluded. In areas with low structural competitiveness, the best way to boost economic integration is through innovation and research. Moreover, the research highlighted the importance of investing in training, technological know-how and skills in remote areas.

## Policy recommendations

The research team reached agreement on policy recommendations for labour supply, agriculture, regional trade, transportation and infrastructure, tourism and policy harmonisation. Specifically they agreed that:

- Increasing employment, particularly skilled employment, is a key factor in removing rural-urban differences in welfare and in stabilising populations and net migration;
- The current farm structure should not be immune to criticism and new elements in the development of rural economies – such as small-scale specialist and hobby<sup>1</sup> and contract<sup>2</sup> farming – should be appraised for their potential contribution to local incomes and the environment;
- Trade integration with regional trading partners could play an important part in strengthening the economy of a rural area. Structural problems in competitiveness, such as the long supply chain and high financial intermediation costs, are an issue however;
- Transportation and trade infrastructure are an important factor in retaining the population and in broadening the enterprise and employment base. Thus, spatial policy design and implementation, mainly in terms of spatial planning and land use, should be emphasised;
- Rural areas have potential for tourism development, recreation and sports, but this potential is not being exploited, primarily because of the low quality of

services and transport infrastructure. More emphasis should be placed on rural tourism development;

- The design and implementation of policies and programmes needs to be further strengthened using a bottom-up approach.

The project was finalised at the end of 2008 and, according to Dr Demetris Psaltopoulos, Associate Professor at the department of economics of the University of Patras, the research results were “too late to be taken into account in the policy design specific to the 2007-2013 programming period”. They could, however, have an impact on the design of policy measures for the post-2013 period.

More information on the TERA project can be found at: [http://cordis.europa.eu/search/index.cfm?fuseaction=proj.document&PJ\\_LANG=EN&PJ\\_RCN=7980915&pid=7&q=38206EC08071DA8E36503AD2FF500FDB&type=sim](http://cordis.europa.eu/search/index.cfm?fuseaction=proj.document&PJ_LANG=EN&PJ_RCN=7980915&pid=7&q=38206EC08071DA8E36503AD2FF500FDB&type=sim)

(1) A hobby farm can be defined as a small farm that is maintained without expectation of being a primary source of income. The owner might provide some recreational land or/and cultivate some products for own and family consumption.

(2) Contract farming is agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.





# Developing the entrepreneurial skills of Europe's farmers: the ESoF project

**Funded by the EU's 6<sup>th</sup> Framework Programme (priority area 5: food quality and safety), the ESoF project provided recommendations for stimulating the development of the “entrepreneurial skills of farmers” and created an e-learning tool to enable farmers to assess their strengths and weaknesses concerning entrepreneurship.**

**T**he ESoF project (2005-2008) was led by FiBL (Das Forschungsinstitut für biologischen Landbau - Switzerland), a Swiss-based research institute of organic agriculture, working in partnership with universities and research institutes from Finland, Italy, the Netherlands, Poland and the UK.

The development of entrepreneurial skills in agriculture is viewed by many as a necessity for sustainable rural

development. However, both scholarly and farming communities have been divided as to how to define these “entrepreneurial skills”, leading to a diversity of methods and approaches.

Stage one of the four-stage project was thus dedicated to a review of the literature on entrepreneurship in agriculture, in order to provide an analytical definition and description of the concept of entrepreneurship and entrepreneurial

skills for agriculture. Farmers were categorised by different criteria in order to provide a gap analysis of their core skills, and the skills and support that they need in order to become more entrepreneurial (see box).

### What entrepreneurial skills do farmers need?

According to the ESoF team, entrepreneurial farmers have three interlinked skills:

1. A networking capability (the ability to use contacts to develop business ideas);
2. Opportunity spotting (few people are able to spot opportunities without researching, which is why networking is important);
3. Strategic planning (understanding the value of a product, which could be 'on farm' or 'off farm' i.e. the value of a sheep or a cow, or the value of land that could be turned into, for instance, an alternative venture).

Professor Gerard McElwee from the University of Lincoln (UK) notes that, "those people who are successful entrepreneurs are able to combine the first two skills we identified with a strategy: It's about understanding the nature of the market, the price of the product and competitors."

### From theory to practice

Stage two of the project was a pilot stage in which the relevance of entrepreneurship for agriculture was highlighted by means of approximately 20 expert interviews in each of the 6 participating countries. The aim was to identify and map the significance of entrepreneurial skills in different countries, regions and different farming strategies from the perspective of both the farmer and other groups in the socio-technical network of agriculture (e.g. food processing companies).

The pilot stage concluded with a general list of skills that farmers must have to succeed in business and with a list of specific entrepreneurial skills they will need in view of developments impacting on agriculture, such as market globalisation, changing EU (Common Agricultural Policy (CAP) reform) and national policy, changes in consumer demands and in the supply chain, and climate change.

Three main strategic orientations were identified during the first stage as being applied by entrepreneurial farmers

to meet these challenges - cost reduction and enlargement; adding value to agricultural products; and non-food diversification.

According to Dr Christine Rudmann from FiBL, "entrepreneurial skills are actually skill sets. The category of networking skills, for example, includes communication skills, team-working skills and co-operation skills. In addition, networking and strategy skills serve the purpose of recognising and realising business opportunities. Thus, entrepreneurial skills are intertwined with and depend on each other."

Results from the pilot stage then fed into the project's third (main) stage - the identification and analysis of factors hindering and stimulating the development of entrepreneurial skills.

To assess these factors, a case study region was selected in each partner country. The case study approach was chosen both to enable an in-depth analysis and to initiate a change in the awareness of farmers concerning entrepreneurship





and entrepreneurial skills. Farmers taking part represented each of the three strategic orientations identified during the pilot stage.

## Strategies for entrepreneurship

Finally, in Stage four, the project's analytical and empirical results were linked to produce concrete recommendations and tools for the promotion of entrepreneurial skills. The results were discussed and recommendations developed via national stakeholder workshops and an international seminar in Brussels that took place in 2007.

ESoF delivered key recommendations on: overcoming negative social and cultural influences and increasing farmers' motivation to take advantage of learning opportunities; increasing farmers' awareness about the importance of entrepreneurial skills; creating an optimal knowledge system to increase entrepreneurial skills among farmers; the implementation of the rural development Regulation and CAP in general, in

order to foster the development of entrepreneurial skills; and the importance of networks and clusters in the farming environment in order to support the development of entrepreneurial skills among farmers. "Networks and contacts (especially beyond the farming community) are crucial for finding necessary information and being confronted with different perspectives," explains Dr Rudmann.

Another important conclusion concerning the development of entrepreneurial skills is that it is a learning process. "Learning [is] associated in particular with experiential learning – with learning by doing and trial-and-error – and not so much with learning through formal education," notes Dr Rudmann. This finding led the ESoF team to devise a web-based e-learning tool, called the Foxy Farm Entrepreneur (see boxed text), to help farmers.

### E-learning with the Foxy Farm Entrepreneur

This online e-learning tool (<http://etraining.esofarmers.org>) enables farmers to think about entrepreneurship, assess their entrepreneurial skills and compare the results with (775) other European farmers. It can also be used by teachers and trainers to evaluate and advise farmers on how to become more entrepreneurial.

Training is divided into three units: the first is a self-assessment; the second a practice training to enable farmers to think entrepreneurially in different farm situations; and the third unit is a repetition of the self-assessment to see if the e-learning session has had any effect in terms of enabling the development of entrepreneurial skills.

### Useful links

More information on the ESoF project can be found at <http://www.esofarmers.org>

**“ Entrepreneurial skills have a role in enhancing the relative independence of farmers... When entrepreneurial skills are linked with innovation, social capital and productivity, they contribute to rural and regional development and to a region’s competitiveness ”**

Dr Christine Rudmann





## Views on rural entrepreneurship



## Rural entrepreneurs face difficult challenges in economically difficult times, and support needs to be carefully planned and targeted.

Times are tough for all entrepreneurs as Europe endeavours to recover from the economic and financial crisis. But rural entrepreneurs face additional barriers, burdening them with costs above and beyond what might be expected in urban areas.

For younger rural entrepreneurs, the situation is sometimes even more difficult. For example, figures from the European Council of Young Farmers (*Conseil Européen des Jeunes Agriculteurs* – CEJA) show that, even before the recent economic crisis, the number of farmers aged below 35 was decreasing. In the 15 countries that were members of the EU before 2004, the total number of farmers decreased by 9% between 2000 and 2007, but the decline in the younger age bracket was 42%. For the 12 countries that joined the EU in 2004 and afterwards, the figures for the 2003-2007 period were

13% and 36% respectively. The crisis has only exacerbated this problem.

There are several reasons for the accelerating decline in the number of younger farmers, including the desire among younger people from a farming background to take up non-rural careers, but a fundamental problem is the major barriers to entry for those that do want to become farmers.

CEJA president Joris Baecke says that the three main barriers are access to land, access to credit, and the low return on investment that backers of agricultural ventures face. These problems are similar across the EU, Mr Baecke says.

In terms of land prices, this is borne out by data from the EU's statistical office, Eurostat<sup>1</sup>. In some countries the rise in the price of land has been

steep. In Denmark between 2005 and 2009, prices rose by 38%; in the Czech Republic, the percentage increase was almost exactly the same. In the Netherlands, one of mainland Europe's most expensive countries for land, the increase was 56%. Other countries saw less dramatic rises, but rises nonetheless: 12% in Sweden and 8% in Spain. Unfortunately, "those that are starting up have the least resources" to put into land purchase, says Mr Baecke. "Good agricultural land is scarce."

In the face of rapidly rising entry costs, more needs to be done to help farming entrepreneurs get a foot on the ladder according to Mr Baecke. Access to credit is crucial, and lenders need to understand that the returns from farming accrue in the long term, because of high input costs, involving expensive machinery, for example. "Natural resources are also

(1) [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apri\\_ap\\_aland&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apri_ap_aland&lang=en)

scarce – fertilisers are quite expensive, for example," he says.

Mr Baecke believes that in choosing to back young farmers, investors should also consider the wider benefits to society, and that policymakers should put in place new schemes to recognise this and underpin investment decisions. Entrepreneurs should be "encouraged and stimulated to take the first step," he says. "If we don't want to be dependent [on imports] for food, we must prioritise the sector. Farms are one of the most important pillars of rural life."

He argues that when younger farmers take over farms, they should have scope to modernise and improve their holdings, reinforcing the need for access to credit. "If a rural entrepreneur wants to apply for credit, they are mainly assessed on the basis of a business plan and own resources. In many cases the business plan is not a problem, but own resources are lacking, especially after the financial crisis".

He adds that EU rural development funds could help overcome these barriers by targeting more money at younger farmers. At present the Common Agricultural Policy directly supports farmers under the age of 40 through measure 112 ("Setting up of young farmers") of its second pillar. This helps younger farmers with funds for "initial establishment and structural adjustment of their holdings," but only about 3% of EU rural development money is spent in this way. Mr Baecke believes it should be more, especially when the emerging challenges to Europe's food supply and climate change are taken into account.

## Beating the crisis

Not all rural entrepreneurs are farmers, of course, but those from other sectors face similar challenges. Donald Mackenzie, Business Gateway Manager with Highland Opportunity, which uses EU rural development funds to provide assistance for entrepreneurs in the Scottish Highlands, the northern-most and least densely populated part of the United Kingdom, agrees that rural entre-

preneurs face particular difficulties in the aftermath of the economic crisis.

"The rural Highlands of Scotland have long been a source of entrepreneurs. However the current challenging economic climate, combined with the remoteness of the region and its low population, have conspired to make the life of small businesses exceptionally difficult," he says.

Rising costs and government revenue-raising measures tend to hit rural entrepreneurs disproportionately compared to their urban counterparts. Fuel, for example, is likely to be a bigger cost for rural entrepreneurs who need to transport produce or goods greater distances.

The increase in the cost of fuel "has been one of the biggest beatings we're taken up here," Mr MacKenzie says. He cites the case of a producer of curry sauces, located in the Highlands town of Bonar Bridge, which has seen the price of transportation of ingredients and bottles and jars from urban centres in the south of Scotland shoot up to become a major cost.

In addition, particular factors in the UK have had an impact as the British government has sought to reduce its debts. "The increase in VAT to 20% has hampered an already fragile [rural] retail sector, and a shrinking public sector is reducing opportunities for service sector companies to gain contracts," says Mr MacKenzie.



## Underlying barriers

Beyond the crisis, however, there are underlying issues that can inhibit rural entrepreneurs. Mr MacKenzie agrees with Mr Joris Baecke, President of CEJA, that the lack of capital is an ongoing barrier for new businesses. He also believes that the complexity of support schemes can put entrepreneurs off applying for funds that might be available. Within the EU, "sufficient policy decisions" are taken to help rural entrepreneurs, but "these are not always translated into effective operational plans by Member States," he says.

Issues such as unclear application procedures for EU funds and long

decision-making processes have been identified as barriers to development by entrepreneurs that Mr Mackenzie works with. The biggest improvement to help rural entrepreneurs "would be to simplify access to EU funds for those who need it most," he adds, noting that in Scotland, "the Leader approach does appear to be more effective in reaching the smaller communities which require the most assistance".

Despite the difficulties, there is much that rural businesses can be positive about. Mr MacKenzie comments that creativity and flexibility can be key issues, with some rural entrepreneurs running two or three micro-businesses simultaneously

to make a living. "There is a necessity to be entrepreneurial in rural areas," he says.

An example of an innovative small company in rural Scotland is the Kilthanger Company (<http://www.kilthangercompany.com>), based in the northern town of Grantown-on-Spey, in the Cairngorms National Park. Kilthanger designs and manufactures standard and personalised "coat-hangers for kilts". According to the company, its special hanger design "means an end to ironing and pressing crumpled kilts". It is particularly useful for kilt hire companies, which need to store large numbers of kilts.

(2) See for example the mandate given to the High Level Group of Independent Stakeholders on Administrative Burdens, chaired by former Minister-President of Bavaria, Edmund Stoiber, [http://ec.europa.eu/enterprise/policies/smart-regulation/administrative-burdens/index\\_en.htm](http://ec.europa.eu/enterprise/policies/smart-regulation/administrative-burdens/index_en.htm)



## Emphasis on creativity

Michael Schwab, chairman of the organisation Rural Youth Europe, agrees that rural entrepreneurs are a source of many good ideas, despite the challenging circumstances they face. Rural Youth Europe organised a European rally in Sweden in 2010 on the subject of promoting entrepreneurship in rural communities. The 60 young entrepreneurs attending the event "visited many small and medium-sized local enterprises, and helped them to create new ideas and business plans. In an Open Space workshop, the participants had the chance to exchange their experiences of rural entrepreneurship," Schwab says.

The main aim of the event was to give potential entrepreneurs the confidence to move ahead with their plans, and to show them that a support network is

available. Exchange of good practice is designed "both for youth workers and organisations promoting entrepreneurship - and for young entrepreneurs themselves - to have opportunities to see how things are done in different countries," Mr Schwab says.

He echoes concerns that the creativity of rural entrepreneurs can be restricted by red tape. "In some countries high administrative barriers exist which prevent many young people from setting up their own business," he notes. "Our Estonian members reported that the administrative work to set up an enterprise in Estonia takes around half an hour, whereas, for example, in Germany it is a much bigger effort, and has to be counted rather in days or weeks".

Rural development support tools could be streamlined, he says. "The integrated

approach to rural development and initiatives like Leader sometimes prevent young entrepreneurs from applying for money, because they think involvement in these projects would be too time-consuming". There are many opportunities for policy makers to focus more on assisting rural entrepreneurs, providing timely, efficient support mechanisms that encourage, rather than discourage the rural entrepreneurial spirit. The European Commission's stated priorities of reducing red tape<sup>2</sup>, simplifying administration and promoting less-complex investment schemes are a step in the right direction.



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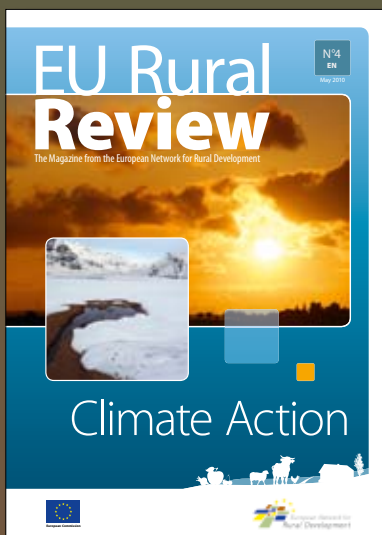
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The screenshot shows the ENRD website interface. At the top, it says 'European Commission' and 'European Network for Rural Development'. Below this, there's a navigation menu with options like 'HOME', 'RURAL DEVELOPMENT POLICY', 'NATIONAL RURAL NETWORKS', 'ERDF THEMATIC INITIATIVES', 'ERDF LIBRARY', 'EVENTS AND MEETINGS', and 'RDP PROJECTS DATABASE'. The main content area is titled 'European Network for Rural Development' and includes a section for 'EN RD NEWS and UPDATE' with a 'MAIN STORIES' section featuring a 'PROJECT OF THE MONTH' and a list of 'OTHER NEWS' with dates and brief descriptions. The sidebar on the right contains sections for 'EVENTS AND MEETINGS', 'MEDIA GALLERY', 'BY COUNTRY', 'RDP PROJECTS DATABASE', 'LEADER GALLERY', 'RDP MONITORING INDICATORS', and 'NBN SELF-ASSESSMENT TOOL-KIT'.

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